

HAWAI'I STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

application Number: #12-2	
·	APPLICANT PROFILE
Project Title: Expansion of X-ray	vices
Project Address: 98-1247 Kaahu	u Street, Space No. 101, Aiea, Hawaii, 96701
Applicant Facility/Organization: F	aii PET Imaging, L.L.C. ("HPI")
Name of CEO or equivalent: Sco	Halliday
Title: President, National Medica	velopment, Inc., Majority Member, Hawaii PET Imaging, L.L.C.
Address: 5001 25 th Ave N.E., Su	202, Seattle, WA 98105
Phone Number: 206-272-3580	x Number: 206-272-3588
Contact Person for this Application	Same as above
Address:	
	Fax Number:
	ERTIFICATION BY APPLICANT
contained herein. I declare the	ne application and have knowledge of the content and the information the project described and each statement amount and supporting correct to the best of my knowledge and belief.
Signature	

.

ritie (please type or print)

1.	TYPE OF ORGANIZATION: (Pleas	se check all applicable)
	Public Private Non-profit For-profit Individual Corporation Partnership Limited Liability Corporation (LLC) Limited Liability Partnership (LLP) Other:	
2.	PROJECT LOCATION INFORMAT	TION
	A. Primary Service Area(s) of Project	t: (please check all applicable)
	Statewide: O`ahu-wide: Honolulu: Windward O`ahu: West O`ahu: Maui County: Kaua`i County: Hawai`i County:	
3.	DOCUMENTATION (Please attach th	e following to your application form):
	A. Site Control documentation (e.g. letter of intent)	lease/purchase agreement, DROA agreement,
	See Attachment 1	
	state, county) that will be require (such as building permit, land use	,
	Building Permit	ate of Hawaii Department of Health
	C. Your governing body: list by name See Attachment 2	es, titles and address/phone numbers
	D. If you have filed a Certificate of N may skip the four items listed belo	e)

TYPE OF PROJECT. This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility					
Outpatient Facility				X	
Private Practice					

5. BED CHANGES. Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
[
TOTAL			

6. PROJECT COSTS AND SOURCES OF FUNDS

A.	List A	II Project Costs:		AMOUNT:
	1.	Land Acquisition		none
	2.	Construction Contract		\$50,000
	3.	Fixed Equipment		
	4.	Movable Equipment		none
	5.	Financing Costs		
	6.	Fair Market Value of asset lease, rent, donation, etc.	s acquired by	\$200,000
	7.	Other:		
		тот	AL PROJECT COST:	\$250,000
В.	Source	e of Funds		
	1.	Cash		\$50,000
	2.	State Appropriations		NA
	3.	Other Grants		NA
	4.	Fund Drive		NA
	5.	Debt-		iši
	6.	Other: FMV of leased ass	ets to be paid by monthly paym	ents \$200,000
		тот	AL SOURCE OF FUNDS:	\$250,000

7. CHANGE OF SERVICE: If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please reference the Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

This is establishment of a new location of an existing x-ray service at 98-1247 Kaahumanu Street, Space No. 101, Aiea, Hawaii, 96701. It is an addition to the x-ray services already provided by HPI at 1029 Kapahulu Avenue, Suite 500, Honolulu, Hawaii.

- 8. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:
 - a) Date of site control for the proposed project, July 2012
 - b) Dates by which other government approvals/permits will be applied for and received, expected within 60 days of CON approval
 - c) Dates by which financing is assured for the project, NA
 - d) Date construction will commence, 60 days after CON approval
 - e) Length of construction period, 4 weeks
 - f) Date of completion of the project, 90-120 days after CON receipt
 - g) Date of commencement of operation 90-120 days after CON
- 9. EXECUTIVE SUMMARY: Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificate of need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.
 - a) Relationship to the State of Hawai'i Health Services and Facilities Plan.
 - b) Need and Accessibility
 - c) Quality of Service/Care
 - d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
 - e) Relationship to the existing health care system
 - f) Availability of Resources.

Hawaii PET Imaging, L.L.C. ("HPI") seeks approval to add diagnostic radiology services (x-ray) at 98-1247 Kaahumanu Street, Space No. 101, Aiea, Hawaii, 96701.

HPI currently provides x-ray, dexa, ultrasound, Mammography, PET-CT, CT, and MRI services on Oahu at 1029 Kapahulu Avenue, Suite 500, Honolulu, Hawaii and at 500 Ala Moana Boulevard, Space 5B, Honolulu, Hawaii.

The services included in this application will constitute a second site for x-ray services for HPI.

HPI is establishing this new location at the request of several local prominent physicians because of the lack of locally available appointments for quality outpatient x-ray service for their patients after the closing of the HMC-west offices and services.

a) Relationship to the State of Hawai'i Health Services and Facilities Plan

HPI seeks to add x-ray services at 98-1247 Kaahumanu Street, Space No. 101, Aiea, Hawaii, 96701. We seek to establish a location that is accessible to the elderly and low income residents of the area, and continuing to provide jobs to healthcare workers on Oahu recently terminated by HMC West. We meet several of the General Principals of the Statewide Health Coordinating Council. Further, we shall continue in this Facility to use the Hawaii PET Imaging, L.L.C. management and education to support and further healthcare education and prevention initiatives.

This facility also assists in providing the capacity and access to the important primary care services in the area, and building, addressing one of the SHCC "Important health Areas of Concern".

With regard to the West Oahu Priorities, this new service location meets the priority to "Improve and increase access to "routine outpatient diagnostic services" by having this office in a building occupied by many of the physician practices listed below. This Office building was recently acquired by a group of physicians that are moving/have already move, their office to the building and are in need of x-ray service today and in the future. These offices provide needed medical services to many of the area's elderly and poor population that would have difficulty traveling to a hospital and other further distanced services from their physicians' building offices. This will enhance to some degree the quality of life of these patients by reducing and or eliminating travel, its costs and complications, for these local residents

Each of these physician offices has stated that they require x-ray services to be "on site" to serve their patients needs, to increase their ability to receive immediate test results, and to better coordinate future care.

b) Need and Accessibility

The closing of HMC-West has created a real deficit in the already sub-optimal supply of these needed outpatient diagnostic services to the areas patients and physicians. The need for these services will continue to increase with the current expansion of the area's population. According to the State of Hawaii Department of Business, Economic Development and Tourism, "2011 State of Hawaii Date Book" the area that this facility will provide services to was by far the fastest growing in the State;

Table 1.15-- RESIDENT POPULATION FOR GAHUNEIGHBORHOODS: 2000 AND 2010

		D1-54	
Neighborhood Area 1/ (see maps)	2000 24	2010 3/	Percent change
Oahu total	& DEV. AGE 876,156	911,841	4.1
21 Pearl City	49,345	47,879	-3.0
22 Waipahu	59,284	61,879	4.4
23 Ewa	43,794	59,877	36.7

and is projected to continue high levels of growth in the near future.

The physicians leasing in the building have stated;

"There is a true need for these x-ray services in our office building located at 98-1247 Kaahumanu Street, Aiea, Hawaii, 96701. Many of our patients are not ambulatory and require extensive pre- scheduling and transportation coordination just to make an office appointment. Many of our patients have expressed a desire to have these x-ray services our new location. Imaging studies on campus will greatly improve patient care by making earlier diagnosis and provide timely treatment for better outcomes. It is a real negative impact on their care when they are then forced to find these basic outpatient tests at other locations and often the test results are not as immediately available to us as their physician, as they will be when located in the same building as my practice. I used to send about thirty x-rays per month to the SFMC –West campus when those services were available. Now that it is closed, I have been forced to send patients as far away as Queen's Medical Center and Kuakini Medical Center to receive these needed tests. Many of my patients have complained and asked that this basic service be located in our office building.

Please approve this application for this needed service."

(please see Exhibit 1 for copies of emails and letters from these physicians)

As x-ray is not a service that generates any significant amount of revenue, these physician x-ray referrals do not comprise a significant portion of total volume or revenue for any single service provider such that their loss will not cause noticeable impact on any other provider's current operations or profits. In fact, x-ray is typically a "loss leader" for other more expensive and higher priced diagnostic tests so the movement of these tests to our facility may increase profits at other locations. However, if this application isn't approved, the need to transport patients away from the convenience of the physicians' offices in the building, for these procedures, can negatively impact patient care, by delaying diagnosis, possible immediate treatments, and through the additional stress that travel imposes on patients that are already in acute distress.

In addition to contributing to the provision and possible expansion of integrated primary care in the area, the new radiology center will also provide needed augmentation to HPI's ability to provide diagnostic radiology procedures. The need for such procedures is acute now with the closure of HMC-West, and can be expected to continue to continue to grow with the expansion of the "West" part of Oahu population increases (as shown above) and the closure of the HMC-West ER department and associated outpatient services.

The proposed x-ray services will be available to all on a non-discriminatory basis consistent with HPI's policy of imaging all patients with a physician's order without regard to ability to pay, including low income people, racial and ethnic minorities, women, people with disabilities, the elderly and other underserved.

c) Quality of Service/Care

The facility will be accredited by the American College of Radiology and licensed by the State of Hawaii. The HPI Radiologists are certified by the American Board of Radiology and are licensed physicians in Hawaii. They are members of a wide variety of professional organizations. All current HPI technologists are certified by the American Registry of Radiologic Technologists, and licensed by the State of Hawaii. As HPI currently operates, the physicians and technologists are continually expected to meet or exceed all state and national registry requirements for continuing medical education ("CME"). Currently, radiologists are required to obtain 50 CME credits annually and technologists are required to obtain 12 CME credits annually.

The facility will operate in accordance with all applicable state and federal guidelines and the standards of the accrediting body, and will have the HPI policies and procedures to insure the quality and safety of patient care.

The staff-to-patient ratio will be 2:1. The technician will be with each patient at all times while a procedure is being performed.

HPI and its affiliates have over 12 years of experience of providing these services on Oahu and Maui to Hawaii residents. HPI is recognized as a quality provider that continually upgrades and enhances its services and facilities to the local population.

(d) Cost and Finances (include revenue/cost projections for the first and third year of operation)

The total capital expenditure for the project is estimated at \$250,000 which includes rental of the space, the equipment, and staffing pursuant to a five-year lease with an option for renewal.

Lease payments will be made from operating revenue and the proposal is financially feasible starting in year two of the proposal.

YEAR	SCANS	REVENUE	COSTS	NET
1	3000	\$60,000	\$85,000	(\$25,000)
2	4500	\$90,000	\$90,000	\$ 0
3	5500	\$110,000	\$98,000	\$12,000

The facility's proposed charges and payments will be within the range of charges and payments accepted from leading payors like HMSA and Medicare, for similar procedures billed by other providers on Oahu.

The project will help to keep health care costs down by facilitating the provision of primary care to elderly and low-income persons in the neighborhoods surrounding the new medical complex. By improving the area's primary care physicians' effectiveness in detecting and treating orthopedic and neurological, and primary care diagnosed health problems in a timely manner, the proposed facility will help patients avoid more costly treatment and nursing and home care that may be needed if these chronic health problems are allowed to go untreated. Finally, by facilitating the complex's physicians' efforts to improve access to primary care, the proposed radiology facility will help patients avoid resorting to more costly hospital emergency rooms for treatment of conditions that can be treated at the complex in a less costly manner.

e) Relationship to the Existing Health Care System

The proposed radiology facility is in reaction to the closure of HMC-West and the current needed x-ray service in the immediate area. As mentioned above, many local physicians dedicated to providing integrated care are in support of our application to locate x-ray services immediately for their patients, and to reduce the fragmentation of medical services available to residents of nearby neighborhoods. Through the use of a single provider for local, on-site x-ray services, it is anticipated that the area's physicians can achieve improved patient care outcomes both because of the ability to obtain the results of diagnostic radiology services on a more timely basis without exacerbating patient discomfort and because of the more collaborative relationship that will be improved between our radiology specialists and the physicians providing services in the complex.

We will cooperate with other medical service providers located in the area in order to provide a comprehensive array of services in order to facilitate access to persons who now are forced to rely largely on the over-crowded ERs' or downtown hospitals for much of their medical care and for whom transportation can create a barrier to receiving care and to improve the cost effectiveness of care offered to the target population.

There is no negative impact on area Hospitals or imaging providers because x-ray services are not usually considered "profitable" because of the low reimbursement per test.

f) Availability of Resources

10.

There is no additional capital required for this project. The facility and equipment will be leased. There are no financial obstacles to this project. Lease of the Facility and Equipment is on a net basis thru the Building owners and existing HPI lines of credit, and all staff will be HPI employed. The Facility will be managed thru HPI, which has been providing these services and management resources on Oahu for many years, and can easily transport these resources to West Oahu for such a small facility.

We anticipate needing only one x-ray technician and one staff member, which will be identified, trained, and managed by HPI management. Financial resources are readily available thru HPI existing Lines of Credit and reserves.

Eligibility to file for Administrative Review. This project is eligible to file for

Administ	rative review because: (Check all applicable)
	It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
	It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
	It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.
	It is a change of ownership, where the change is from one entity to another substantially related entity.
x	It is an additional location of an existing service or facility.
x	The applicant believes it will not have a significant impact on the health care system.